

Message Text

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PAGE 01 LISBON 08904 291706Z
ACTION EUR-12

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TO SECSTATE WASHDC PRIORITY 9663
INFO AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY MADRID
AMEMBASSY MOSCOW
AMCONSUL OPORTO
AMEMBASSY PARIS
AMCONSUL PONTA DELGADA
USMISSION NATO
DIA WASHDC
USCINCEUR VAIHINGEN GER

C O N F I D E N T I A L LISBON 8904

E.O. 11652: GDS
TAGS: PINT PO
SUBJECT: ASSEMBLY APPROVAL OF GOVERNMENT PLAN & BUDGET

REF: (A) LISBON 8879 (DTG 281745Z DEC 76), (B) LISBON A-354
(DEC 16, 1976) (NOTAL)

SUMMARY: THE LEGISLATIVE ASSEMBLY, DEC 28, APPROVED
THE SOARES GOVERNMENT PLAN AND BUDGET. SOARES WARNED
THE ASSEMBLY BEFORE THE VOTE THAT A DEFEAT COULD
ENDANGER DELICATE NEGOTIATIONS ON AN ESSENTIAL INTER-
NATIONAL LOAN. THE ASSEMBLY VOTE CLEARS AN IMPORTANT
HURDLE FOR THE GOVERNMENT; GREATER COOPERATION WITH
THE CDS SHOULD FACILITATE THE GOVERNMENT'S FUTURE
DEALINGS WITH THE ASSEMBLY. END SUMMARY.
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1. PLAN AND BUDGET APPROVED: THE LEGISLATIVE
ASSEMBLY IN A MARATHON SESSION DEC 28 APPROVED
THE SOARES GOVERNMENT'S BUDGET AND PLAN FOR 1977.
THE PLAN PASSED BY A VOTE OF: 101 IN FAVOR (PS),
69 AGAINST (PSD - 66, UDP - 1, DISSIDENT PSO- 2),

AND 70 ABSTENTIONS (CDS AND PCP). THE BUDGET PASSED BY A VOTE OF: 101 IN FAVOR (PS), 3 AGAINST (UDP - 1, DISSIDENT PS - 2), AND 136 ABSTENTIONS (PSD, CDS AND PCP).

2. SOARES EVOKES LOAN: PRIME MINISTER SOARES CONCLUDED FOUR DAYS OF PROLONGED DEBATE BY STATING THAT HIS GOVERNMENT WOULD OFFER TO STEP DOWN IF EITHER THE PLAN OR THE BUDGET WERE DEFEATED. HE POINTED TO THE NATIONAL AND INTERNATIONAL REPERCUSSIONS OF DEFEATING THE PLAN ".....AT A MOMENT WHEN PORTUGAL IS ENGAGED IN VERY DELICATE NEGOTIATIONS WHOSE FAILURE COULD ENDANGER THE COUNTRY AND INCREASE PORTUGAL'S FOREIGN DEPENDENCE." HE STRESSED THE VERY IMPORTANT ROLE OF FOREIGN LOANS FOR THE PORTUGUESE ECONOMY.

3. WHAT THE VOTE MEANS FOR THE:
-- GOVERNMENT: SPECIFIC ARTICLES OF THE PLAN AND THE BUDGET WILL BE VOTED ON BY THE ASSEMBLY DEC 29 AND SOME ARE LIKELY TO BE DEFEATED OR ALTERED SUBSTANTIALLY. THE GOVERNMENT, HOWEVER, PUT ITS POLITICAL CREDIT ON THE LINE ONLY ON THE OVERALL PLAN AND BUDGET VOTES. VICTORIES ON THESE TWO VOTES CLEAR AN IMPORTANT HURDLE FOR THE GOVERNMENT. INCREASED PS/CDS COOPERATION (REF A) SHOULD FACILITATE FUTURE GOVERNMENT DEALINGS WITH THE ASSEMBLY.
-- THE PS: THE SOCIALISTS LIMITED THEIR DEFECTIONS TO TWO - AIRES RODRIGUES AND CARMELINDA PERREIRA, WHO ARE ALREADY SUSPENDED FROM THE PARTY (REF B). THE PS IS VERY LIKELY TO EXPEL RODRIGUES AND PERREIRA FROM THE PARTY AND HOPES TO PRESSURE THEM INTO
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RESIGNING THEIR ASSEMBLY SEATS.
-- THE PSD: THE PSD VOTE AGAINST THE PLAN WILL MAKE PS-PSD RELATIONS VERY DIFFICULT IN THE COMING MONTHS.
-- THE CDS: A FAVORABLE CDS VOTE ON THE PLAN WAS NOT NECESSARY FOR PASSAGE, BUT THE CDS WILLINGNESS TO COOPERATE WILL INCREASE ITS INFLUENCE WITH THE GOVERNMENT.
-- THE PCP: THE COMMUNISTS WERE RELUCTANT TO RISK TOPPLING THE GOVERNMENT WHEN ANY LIKELY ALTERNATIVE GOVERNMENT WOULD BE FURTHER TO THE RIGHT.
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